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Allen Stanford's offshore audit firm asks: Allen Who?

Employees at Antiguan branch of C.A.S Hewlett say they had no ties with accused fraudster

By Jason Szep
February 23, 2009 12:01 AM ET

(Reuters) — One man at the Antiguan firm that Texas billionaire Allen Stanford claimed as an auditor might have been able to shed light on the fraud accusations against the tycoon. But he's dead.



Patrons line up outside a Bank of Antigua branch in St. John's, Antigua, on Feb. 18 (Bloomberg)

Other staff don't even seem to know Stanford. Two people in charge at C.A.S. Hewlett & Co, identified by Stanford as auditors of his offshore bank, told a Reuters reporter on Thursday there was no evidence of any ties to the 58-year-old financier and sports

The man who would know, according to current manager Eugene Perry, is former chief executive Charlesworth "Shelley" Hewlett. He died January 1 at age 73, staff at the firm said.

Mr. Perry said he never met Stanford in his 10 years at the firm. While speaking with a Reuters reporter in the late Hewlett's personal office, Mr. Perry telephoned a woman he identified as the company's current leader.

"We are not privy to any information about any relationship with Stanford," said the woman, who would only identify herself as Celia. Asked if she was aware of any files at the firm associated with Stanford, she said she was not.

As it turns out, the woman on the other end was probably Celia Hewlett, the daughter of the audit firm's founder. Celia Hewlett took over responsibility for the accounting firm from London after her father died. It couldn't be determined for certain, however, if the Celia interviewed by telephone was the late Hewlett's daughter.

Either way, C.A.S Hewlett firm is now at the epicenter of one of the biggest alleged investment scams in U.S. history. Federal agents on Thursday served Stanford with a complaint from U.S. regulators accusing the Texan of operating an \$8 billion fraud centered on the sale of high-yielding certificates of deposit offered by Stanford International Bank (SIB), his Antiguan affiliate.

The interest in Stanford has extended across the Atlantic. Britain's Serious Fraud Office said Thursday it was monitoring a possible link between the Hewlett accounting firm and Stanford.

"It's a situation where there is the possibility there may be a U.K. link, and so we are monitoring the situation," a spokesman for the SFO said.

"It's not the case that we have launched investigators at it. We are making contact and liaising with other authorities," the spokesman added.

C.A.S. Hewlett has offices at several London addresses, but the phone numbers were either disconnected or rang unanswered.

Two people with neighboring businesses in Enfield, a residential suburb north of London, told Reuters that C.A.S. Hewlett had had a small office in the building on Southbury Road, but that the employees left about four years ago.

The U.S. Securities and Exchange Commission (SEC) said in its court complaint that it had tried several times to contact C.A.S. Hewlett during its

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investigation, but "no one ever answered the phone."

The midyear report of Stanford's Antiguan affiliate, released in June, identified C.A.S. Hewlett as its auditors. The SEC also listed the firm as Stanford's auditor.

But the 10 workers in the Hewlett office in a quiet, largely residential neighborhood in the capital, seemed an unlikely operation to manage books for an \$8 billion enterprise.

During two visits over two days by a Reuters reporter, no one staffed a sparse reception desk in the aquamarine building. On one visit to the reception area that lasted nearly two hours, there was no senior manager in the building. The occasional sound of reggae music wafted from inside the office.

C.A.S. Hewlett is listed on the British Commonwealth's website as a "financial services partner" in Antigua with an offshore client portfolio that includes banks, insurance companies and other financial institutions and intermediaries.

Charlesworth Hewlett was born in 1936, according to the website, and qualified as an accountant in 1970 after attending South West London College. He also is said to have served in the Britain's Royal Air Force and earned a medal for active service in Cyprus.

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KVT-16

1 Stanford Disk 1: "Keeping the Entrepreneurial Spirit Alive"

2 Tape began mid-sentence:

3
4 ALLEN STANFORD:

5 ...that your success in business as a leader depends totally
6 on two things: Your achievements and your relationships.

7 You have all achieved something very special today, a
8 milestone in your life. [Interruption in recording]

9
10 ...2005, and I just want to be sure that what I'm saying
11 today has believability, validity to those who just joined
12 this firm and hear what I'm saying, not just today, but I've
13 already said it prior. I've got many more examples, but I
14 don't want to be here all day. Let's go into what I said
15 before the NASDAQ at the International Advisors Meeting we
16 had in New York last month. Play that clip.

17
18 I want to welcome you on the eve of Stanford Financial
19 Group's International... [Interruption in recording.]

20
21 Well, repetition is what people remember. They don't
22 remember anything if you tell them one time. So that
23 story's now been told four times today. But it can't be
24 told too much in this, in this climate we're in. Now, I
25 started off doom-and-gloom speeches you've heard from me and

1 [indiscernible] speeches in 2001 speech, not necessarily
 2 inspiring. Turn on the news, read the newspaper, your
 3 Blackberry, walk through the airplanes, none of it's good.
 4
 5 You know, and reporters, let's say what they like to do:
 6 They like to sell negativity. The world is so small and
 7 reporters are all over the world, reporters all over the
 8 world are reporting negativity, and they're just -- it's the
 9 same: IBM is up and we may have reached the bottom; IBM is
 10 at an all-time low and stocks are at an all-time low and
 11 there's no hope. You know, there's half full and half
 12 empty. I'm half full, but I'm real in terms of how I view
 13 things.
 14
 15 This is not going to be an easy period for any of us, but
 16 we're going to do very well. But I'm very concerned about
 17 the world, I'm concerned about the United States becoming a
 18 second-rate economy, as I hope and think all of you are.
 19 I'm not somewhere in Never Never Land on my boat floating
 20 around scuba diving or fishing trying to forget all of this
 21 and saying, Well, what the hell. I'm very concerned about
 22 our future. I've got six children. I'm concerned about
 23 their future.
 24
 25 We're going to be a leader in all areas: In our business,

1 in how business of the world should be conducted, and how
 2 politics should be played out anew, not old school -- and
 3 I'm afraid we're going to have some old school stuff still
 4 to deal with in the couple of years forward. But we're
 5 going to shake all this stuff out. Out of all negative
 6 comes positive. This shakeout was long overdue. Business
 7 as usual is not business going forward, and that's got to
 8 change. Politicians are politicians. Most of them don't
 9 get it. They don't understand it. And that's frightening,
 10 but that's the truth.
 11
 12 But this world is going to change, ladies and gentlemen, and
 13 we're going to be a leader in all areas of it, and we're
 14 going to have a say and a voice all over the globe in how
 15 things should be done differently. Just our success alone
 16 will get us in the door of people listening to us that, hey,
 17 just because somebody was the biggest player in the world
 18 certainly back then, everybody thought they should be the
 19 ones you listened to. Today they don't look that good.
 20
 21 Now, I have an answer to how to solve all this, by the way,
 22 if I was President. You give me one term, we wouldn't be in
 23 this mess. We'd be back on the road to prosperity. But I'm
 24 not, and I wouldn't want to be, but somebody has got to step
 25 up somewhere and take a leadership role. So we're going to

1 have to push things forward ourself. That's a whole 'nother
 2 topic, a whole 'nother thing off of what we're talking about
 3 today. We're going to have a meeting just on that. Now, I
 4 want all of you to become active in shaping our own future
 5 and taking care of our children's future. I'm not concerned
 6 about the world.
 7
 8 Now, I'm going to go just kind of hit some things here. All
 9 of you, I hope, were given the book "Plan B.30." Is that
 10 right, Lula? Okay. Lester Brown is a friend of mine who
 11 gave a talk to our advisors last month in New York. He's
 12 right on spot. The environment, in spite of what's going on
 13 right now in the economic crisis, is more of a looming
 14 crisis than what we're going through now. I'm not some
 15 environmental nut, and I'm not some global-warming kook.
 16 All scientists now agree that global warming is here and
 17 it's real. Read that book. Nothing more I'm going to say
 18 about that. Read that book. It gives you answers, good
 19 common sense that'll work; plus it'll take this country
 20 energy independent in a matter of years. We should have
 21 jumped on that bandwagon back in '73, '4, and '5.
 22
 23 We're going to stay to the 15-minute rule. The 15-minute
 24 rule is this: We're having deals pitched at us like I've
 25 never seen. People need money, they need help. They're

1 lined up at the door. But we're not going to get greedy.
 2 We're not going to do things stupid. The 15-minute rule is
 3 this: When somebody comes in to one of our Stanford offices
 4 on the merchant banking, investment, any other deal or
 5 whatever it may be, one of Laura's teams or whoever's teams,
 6 if we don't understand it in 15 minutes, we're not getting
 7 involved in it.
 8
 9 If something is so complicated or so difficult that somebody
 10 can't sit down and explain it totally, clearly, and in 15
 11 minutes you've got it and you make a decision that that's
 12 something you want to pursue to another level, it will never
 13 work, from our perspective. We stuck with that over the
 14 years. Now, I've seen some deals that some of you got,
 15 maybe not some of you here, but some others have pitched to
 16 us in Stanford that are about a 30-minute deal in length.
 17 No 30-minute deals. 15 minutes.
 18
 19 Put up that Pendulum on Capitalism slide. I drew this
 20 myself last -- late yesterday afternoon. We did this
 21 internally. It's, you know, it's something out of junior
 22 high school, I guess, but it's the real thing. The Pendulum
 23 of Capitalism will right itself. It'll stay back in the
 24 middle, but invariably the Pendulum of Capitalism goes this
 25 way and it goes this way. And when it goes to the right or

1 this way to the left, things happen in a negative way. When
2 the economy overheats, you have a tremendous bull market,
3 greed, common sense, malfeasance, all of those things take
4 place and you have a correction. When it goes the other way
5 to correct, where we are now, people are scared. They lose
6 confidence, fear sets in.

7
8 We are going to stay in the green zone, and we've stayed in
9 the green zone through all these years. That's what all of
10 you need to remember. That's a very simplistic thing, but I
11 believe in simplicity. I don't like complex stuff. It
12 usually doesn't work. That's why I never would have
13 invented the atom bomb, I guess.

14
15 We don't need in this country or the world any more
16 financial engineering. What we need is financial common
17 sense, the 15-minute rule. I'll say it again: We have no
18 securitized debt, we don't depend on the credit markets as a
19 company, and our use of leverage has been minimal. We're
20 also a private company. We're looking at the sole
21 shareholder. All of you are part of this organization. The
22 part of this program today is going to be unveiled today to
23 give you essentially phantom stock, but make you part of the
24 success as we go forward.
25

1 Wall Street firm. Out of chaos and confusion, out of
2 despair and negativity comes opportunity. As a privately
3 held company we can't go to the government. I wouldn't go
4 to the government. You are the government. How stupid is
5 that? No wonder people have lost confidence. Politicians
6 think all of us -- and I put myself in the same boat,
7 regardless of how much wealth I've accumulated, as a middle,
8 common-sense-thinking American. Hopefully, that's where my
9 values will always be.

10
11 When you make these enormous amounts of money and you sit
12 afar in Washington and Wall Street and you think the rest of
13 the world are a bunch of dumb-asses -- farmers, secretaries,
14 schoolteachers, policemen, regular people who are far
15 smarter and are the backbone, produce 75 percent of the GDP
16 of this country and are more important than a Citi, than an
17 Exxon or any of the big industries that we have in this
18 country, they are the backbone. That's what made this
19 country.

20
21 All of this political rhetoric trying to get back in bed
22 with middle America is just saddening my heart. So I don't
23 believe any of it, McCain or Obama. That's my personal
24 belief. It's all politicians doing this to get elected.
25 We're going to change that. For this country to have a

1 But our real shareholders, you know who they are? They're
2 our clients. Take this as one example. When Citibank or
3 any other big, publicly held company -- and I'm not beating
4 up on Citibank, because they don't need to be beat up on
5 anymore. But when you take Citibank, what is their number
6 one priority? It's top management and shareholders.
7 Where's the client? They're so damn big they don't care,
8 really, unless you've got a hundred million dollars with
9 them.

10
11 We have always had to put the client first, because we were
12 always fighting that uphill battle to get that client, and
13 we're not going to change. That's the number one priority
14 in this company and always will be, to take care of the
15 client. And as a privately held company we now have huge
16 advantages. I was tempted quite often to go, especially
17 during some of the run-ups, to go public, quite frankly, and
18 cash out. I knew the company would change, I knew the core
19 values would go out the window, and I knew things that I
20 wouldn't want to be a part of anymore. What else was I
21 going to do? So I didn't take the company public or any one
22 of our companies public.

23
24 And thank God. Today we have a huge advantage being
25 private. As I've said before, we're not, never will be, a

1 future, for this country to be a real, wonderful place again
2 to live and to grow up with your family, we've got to make
3 changes quickly. The old way of business is not going to
4 work anymore. Politicians that are in positions of power
5 now, I'm convinced most of them don't get it. They're not
6 in touch with the backbone of this country.

7
8 But the backbone of this country is getting ready to rebel,
9 because they've already shown that they have no confidence
10 in the way things have been going on lately. It has nothing
11 to do now other than confidence, period, the end. And I get
12 angry, as you can tell, when I start thinking about the
13 abuse.

14
15 Now, going back to some positive things out of this chaos,
16 we're going to set up a five-billion-dollar global vulture
17 fund, a global vulture fund, five billion in cash, new
18 money. We're going to go out and buy into companies. We
19 may even invest in new companies, buy real estate -- hell,
20 there's tons of it here in Miami. You can go downtown on
21 Brickle and you can see 10,000 condo units coming on stream
22 in the next few months on top of an over-flooded market.
23 I've seen it, I've been there, I've done it.

24
25 It'll take 10 years for all this to work out. 10 years.

1 This is going to be a long-term play. We're going to make a
 2 huge amount of money off this. It'll be for an investor
 3 that wants to come in, we'll have minimum amounts of a
 4 million dollars per investor, maybe ten million in some
 5 cases. But we're going to do it on a global level, and
 6 we're going to raise five billion dollars, and we're going
 7 to go worldwide through our offices and make acquisitions
 8 and do investments probably early in the first quarter of
 9 next year. I want to see what happens in this new
 10 administration, separate from everything we're doing today.
 11
 12 You all know the valuations of companies are at levels none
 13 of us have ever seen before, and there's a lot of deals out
 14 there that make a lot of sense. We want to be very careful,
 15 15-minute rule. We want to do these things right, bring in
 16 wealthy people and some -- we've got some sovereign funds
 17 that want to participate with us. You know, we could
 18 probably do -- populate the whole thing with two sovereign
 19 funds participating, but I don't want to do that only. I
 20 want to bring in a lot of people with us that believe in us
 21 and we believe in them and do a 10-year plan. We're going
 22 to make a lot of money. Same thing that happened in
 23 Houston, just on a bigger scale.
 24
 25 We have had to run a tighter ship because we're privately

1 held. We didn't have shareholders to go to to raise capital
 2 in the markets. We didn't have the government to go do this
 3 to. This isn't the first time this has happened. Remember
 4 Lee Iacocca in Chrysler a few years ago had to get the
 5 government to bail them out. There have been other
 6 bailouts, just not on this scale. We'd have never had that
 7 option. And thank God we haven't, because we've had to run
 8 a tighter ship.
 9
 10 I'm talking to you stream of consciousness now, what's in
 11 here and what's in here. The more things change, the more
 12 they stay the same. I'm not fan of the IMF, I'm not a fan
 13 of President Clinton. But if you want to learn how to solve
 14 this problem as a political leader, you can look back
 15 historically at what other governments have gotten themselves
 16 into.
 17
 18 All you gotta do is go back to 1994 in Mexico. We have an
 19 office in Mexico. We were there in 1994. The wave of bank
 20 failures in Mexico December 1994 followed a rapid growth in
 21 liberalization and expansion of credit. When the poor
 22 quality of the Mexican bank loan portfolios became evident,
 23 the peso tanked, real estates tanked, banks failed. The
 24 whole country went to hell in a handbag. Clinton, who I'm
 25 not a fan of, and the IMF came with a rescue package, as we

1 all know, 38 billion dollars. In today's dollars it would
 2 be a lot more, and in today's proportion to the 700 billion
 3 dollars as a percentage of GDP is roughly the same.
 4
 5 What Mexico went through then, what we're going through now,
 6 it's the same thing. They had loose-lending underwriting
 7 standards, got a lot of greedy people in the thing, and
 8 Mexico went crazy and they grew and everything was going
 9 to go on forever, and it blew up. Same thing's going on
 10 today and even though Mexico's rescue was tainted with
 11 corruption -- a lot of people took some of this money, put
 12 it in their pocket -- in 1997, two years ahead of the plan,
 13 actually, ahead of time, they paid everything back; plus the
 14 Treasury and the IMF made a little profit off of this.
 15
 16 The main lesson here is that this country has got to put an
 17 austerity program in place like we've never seen before.
 18 We've just got to quit spending money. We can't raise taxes
 19 either. We can't go out and take what steam we have left in
 20 what energy or other companies we have out there and kill
 21 them, our financial services. The democrats, I'm afraid,
 22 are going to be totally in power, and they have a history of
 23 taxing the hell out of everybody. But I hope they're smart
 24 enough this time to understand we're going to lobby like
 25 heck for this, that you're going to have to cut out

1 spending, all these entitlements, these farm subsidies,
 2 these, these things that don't make any sense. They've all
 3 got to go away.
 4
 5 We've got to get out of Iraq and Afghanistan. We've got to
 6 cut that billion-dollar-a-day bleed. All of these things
 7 that just make common sense have got to stop. And we can't
 8 raise taxes, even though we need the money; and even though
 9 now they've put a trillion-plus on our backs, we can't raise
 10 taxes. You've got to encourage business to invest, you've
 11 got to send the right message, and that will get us out of
 12 this mess.
 13
 14 If they do anything other than that, we'll have another
 15 meeting like this and we'll talk about Plan D; not B, C, but
 16 D. But Mexico did it. A second-world developing-still
 17 nation did it. U.S. has been good at telling other people,
 18 like the IMF, This is what you should do. Let's learn what
 19 they did. Let's go ask Mexico how they got out of their
 20 mess. And there's other examples, Chile and other places;
 21 but places we're familiar with, we know. And it'll work.
 22 It's just common sense, and it's operating everything as a
 23 business. Not living in La-La-Land in Washington and
 24 getting your check regardless.
 25

1 Juan, bring me that -- never mind. I brought it up here.
 2 If any of you want to read this, again, I'm not a fan of the
 3 IMF, but it's called "Stabilization and Reform in Latin
 4 America." It's a, it's occasional paper number 238. It's a
 5 good read, but it will tell you -- here is a blueprint,
 6 ladies and gentlemen. I told you coming on how we're going
 7 to get out of this mess. Read this. I've read the whole
 8 thing, and it will tell you how to get us out of this mess.
 9 We don't have to reinvent the wheel. I've said before,
 10 things that happen today have happened prior. This big mess
 11 we're in today has already happened before, it's just on a
 12 bigger scale.

13
 14 We can get out of this mess. It's going to take leadership,
 15 real leadership, leadership that people have confidence in,
 16 and that's where you're going to have to have a voice and
 17 multiply your voice with other people. Don't be shy, don't
 18 be timid. Don't take this crap anymore. We don't need a
 19 leader like our president now who brings great confidence to
 20 us. You've gotta laugh. You can't go to a funeral all day
 21 today. You've gotta laugh.

22
 23 But seriously, we need leaders who inspire confidence that
 24 you believe in and have an answer. And we all know the
 25 15-minute rule. Somebody's got to get up and tell us in 15

1 strategy on a global level. Through Stanford Global
 2 Advisory we are going to, with Laura running that
 3 program -- and the SIOs will not report to her, but they
 4 will work with her very closely, and she's going to oversee
 5 that program. But they will work with her, and they will
 6 not veer from -- I want to be very, very clear on this.
 7 None of the regions, and I've met with the four regional
 8 leaders yesterday, are not going to veer from this program.
 9 We are going to be unitized -- that's the word that I keep
 10 hearing from Jim and Laura and others -- and together in the
 11 SIMs strategy globally, internally the way we've been
 12 managing money.

13
 14 Right now it's the worst we've done in a long time. We're
 15 about, as of early October, down about four percent, I
 16 guess. We've had a lot of hot spots within. I saw one
 17 return up 16 percent here today. Different things that are,
 18 in spite of this confusion, are actually benefitting. But
 19 overall we're down about four percent. I'm not happy with
 20 that; in this market I guess it's astounding.

21
 22 As I said last month, and I'll say again today, we're not
 23 going to make any money this year, first time in a long time
 24 flat. We've got a lot of cash, we're positioning to grow
 25 our business, and nothing's really changed in our companies.

1 minutes how we're getting out of this mess, because it can
 2 be done. It can be done. You've got to, you've got to get
 3 that out and multiply that.

4
 5 Now I'm getting ready to get off. I'm going to shift gears.
 6 In 1997 we started this program called MFP, Mutual Fund
 7 Partners. It later became SAS. It is part of SGC. They're
 8 running today, I think, about three billion dollars, modest
 9 amount of money, and they've had some success, some not so
 10 good success, in this market. And it was a
 11 relative-to-market, not an absolute return like SIM.

12
 13 In January of this year I agreed that now is the time for us
 14 to globally do in all, especially since I regionalized the
 15 companies -- I regionalized all of our companies to North
 16 America, Latin America, Caribbean, and Europe, four regions
 17 now with their own regional leaders, and they're going to
 18 speak here in a minute -- that the SIMs strategy needed to
 19 be unitized, uniform throughout all four regions under our
 20 CIO, Laura, with each region's SIO; because we have been
 21 running somewhat of hybrid models, staying more or less in
 22 the SIMs strategy, but sometimes getting off the SIMs
 23 strategy.

24
 25 We now are in the process of fully implementing the SIMs

1 Our investment model works, it's a long-term play, and it's
 2 proven itself in this day, in this market to be the toughest
 3 I've ever seen to work better than ever.

4
 5 But we can't have hybrids out there that that -- well, one
 6 of the SAS units I was looking at is up four and a half
 7 percent here today. It's lost -- well, not here today.
 8 It's lost in March, actually. Jason D'Amato is going to
 9 have a little tape that we're going to play in a minute.
 10 But we're going to see this program unveiled now in a very
 11 rapid way through Laura and Stanford Global Advisory and
 12 through the regional SIOs working with her, bringing deals
 13 to her, her looking at them, her team, back and forth.
 14 There's nothing like firsthand knowledge.

15
 16 Example being Columbia. Huge opportunities in Columbia for
 17 investment banking, merchant banking. Who better to ask
 18 than our people on the ground in our Colombian operation?
 19 Naturally we're going to work together there, but work
 20 together better than ever. The four regions were broken
 21 apart so that there will be people overseeing those regions
 22 in North America, Latin America, Caribbean, and Europe that
 23 were in those regions. The leader is in that region.
 24 They're close to the pulse. They understand the cultural
 25 nuances, they understand the language. They understand all

1 the things that makes that region unique.
 2
 3 And we aren't building an ivory tower, i.e. Citibank, i.e.
 4 Merrill Lynch, i.e. UBS, in running the world from one
 5 place. We're running our regions from where we do business.
 6 Autonomy, accountability, communication, and teamwork.
 7 Those are the mandates I gave the four leaders.
 8
 9 We have all entrepreneurs in this company. Every one of you
 10 out here is an entrepreneur. You're Type A, which means
 11 you're going to get pissed off at somebody else in this room
 12 in some point in time during your tenure at Stanford,
 13 because they're Type A. You're going to do this, and I want
 14 you to do that. If any of you disagree, you're doing it,
 15 hopefully, for the right reason because you have a better
 16 way to do it different, better for the client and for the
 17 company. Ultimately benefits yourself. If all of you agree
 18 on everything, and even what I'm saying up here, you're not
 19 thinking.
 20
 21 Now, we can't have mavericks, lone wolfs going out there
 22 doing their own thing. You've got to be part of the team,
 23 but you've got to think, you've got to bring something to
 24 the table, you've got to be committed, you've got to be
 25 loyal, but you've got to bring everything you've got every

1 day to this job. And we've got to get what you have, what's
 2 up here and what's in here.
 3
 4 The most important thing that I can leave you with today is
 5 to tell you this: I am committed to each one of you, I am
 6 committed certainly to all of our clients, I'm committed to
 7 seeing that the decisions that are implemented by our
 8 regional leaders are the decisions that I agree with so when
 9 they are implementing these things I agree with those
 10 decisions. And I'm committed to stay as close in contact
 11 and communicate as close as I can to you in the months
 12 ahead. Should things get worse, should things change in the
 13 political scene, or should things stay the same, I'm going
 14 to commit myself now to stay as close as I can. Not
 15 somewhat in the 41,000-foot level, but down on the ground,
 16 in some cases maybe from the 5- or 10,000-foot level. I'm
 17 going to be looking at every single deal that we have coming
 18 our way carefully myself. It'll be brought to me. I'll be
 19 part of the review process.
 20
 21 In the past I've let others make those decisions and as I
 22 signed on, because they're coming fast and furious. So I'm
 23 not remotely asleep at the switch, I'm not remotely out of
 24 touch, I'm not remotely unaware of all your concerns. As
 25 you may think I'm in a different plateau and I live over

1 here and I'm immune from all this, I'm very much concerned.
 2 Not about Stanford, not about your future; I'm concerned
 3 about the country's future and the world and my children.
 4 That's what I'm really concerned about. And we're going to
 5 be a catalyst for good and for change and for positive
 6 things.
 7
 8 Okay. Let's take a short break, and then Laura's going to
 9 come up and go through some things for us. Thank you very
 10 much.
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1 REPORTER'S CERTIFICATION
 2 OF THE STANFORD AUDIO RECORDING
 3 KEEPING THE ENTREPRENEURIAL SPIRIT ALIVE

4 I, Sandra S. Givens, Certified Shorthand
 5 Reporter in and for the State of Texas, hereby
 6 certify to the following:
 7 That this transcript of the aforementioned
 8 Stanford audio recording disk is a true record of
 9 the recording as taken down by me;
 10 That the transcript was submitted on May 27,
 11 2009, via electronic mail, to Baker Botts, LLP;
 12 I further certify that I am neither counsel
 13 for, related to, nor employed by any of the parties
 14 or attorneys in any action to which this recording
 15 may relate, and further, that I am not financially
 16 or otherwise interested in the outcome of any such
 17 action.
 18 Certified to by me this 27th day of May, 2009.
 19

20 GIVENS COURT REPORTING
 21 9532 Morgan Creek Drive
 22 Austin, Texas 78717
 23 (512) 301-7088

24 SANDRA S. GIVENS, CSR
 25 Certification No. 5000
 Certificate Expires 12/31/09

sg-#999

KVT-17



12 February, 2009

Dear Client:

Today *The New York Times* published an article that details how more than 100 regulators descended on the offices of major banking institutions such as Citigroup, Bank of America, JPMorgan Chase and other big banks across the nation. Yesterday, there was a business magazine article about the Stanford Companies. In light of these recent press reports, I believe it is important for you to hear directly from me.

As you know, the Stanford Companies were built on the values set by my grandfather 77 years ago. We have weathered the ups and downs of the markets and we have used the most challenging economic periods to spot opportunities and grow our company in a steady and consistent manner. Our goals have always been simple – to provide hard work, clear vision and value for you, our client. That's not just a catchy motto, it is our guiding principle. By keeping our focus on you, we have developed relationships that have endured generations.

This global economic crisis, the unparalleled turbulence within the financial industry and the recently highly publicized scandals has investors rightly concerned. It is expected that, during these times of heightened market anxiety, the press would focus on covering what could be a potential scandal. I can assure you that we are working diligently to answer all press inquiries and getting our message out there so you can be correctly informed. Please do not get discouraged by what you read in the press, we are hard at work in delivering on our commitment to you.

Regulatory agencies are increasing their oversight of all financial institutions and are responding appropriately after the deficiencies of the last decade. Regulatory officers have visited our offices and have stated that these are routine examinations. I want to assure you that if they find any areas in which we need to improve or modify our operations, we will take immediate action to correct them. You and your confidence in us deserve no less. We have been fully cooperative with the regulators and focused on upholding industry guidelines and standards.

As far as Stanford International Bank is concerned I want to be very clear, the bank remains a strong institution. Without the benefit of billions of taxpayers' money, we have already taken a number of decisive steps to preserve our core capital and to reinforce our financial strength and investment base. We will continue to take whatever steps necessary to protect all the bank's depositors. To illustrate the support we have given the SIB clients over the past few months, we have already added two capital infusions into the bank and are considering additional actions. We have never taken such strong actions before, but the current global economic situation, and in particular the challenges facing our industry, demand bold and significant measures.



You have placed your confidence in the Stanford Companies, and we know you are counting on us more than ever in these uncertain times. I can assure you this company is well-positioned, with the right products to be successful even in this environment. You have always demanded uniqueness and good value from us, and we are dedicated to delivering on that. Our pledge remains clear, to provide hard work, clear vision and value for you, our clients. Thank you for the loyalty and trust you have placed with us, we will continue to work hard on your behalf.

Yours truly,

R. Allen Stanford

KVT-18

From: Tonarelli, Oreste
Sent: Tuesday, November 11, 2008 8:17 PM
To: Pendergest, Laura
Subject: FW: HELP

Laura:

Taking advantage of your offer I am contacting you again for help.

FAs and clients are all asking many questions. Some of them are:

- 1) Current and anticipated profitability of SIB:*
- 2) Return of Equity, Fixed Income, Alternative*
- 3) Appreciation (or Depreciation) of the value of the portfolio.*
- 4) Explanation of the \$ 71MM accumulated loss at Sep. 30*
- 5) Impact of recent high volatility in the investment portfolio (Positive? Negative?).*
- 6) Need of a new capital infusion*
- 7) Need of reducing interest rates*

Laura I sincerely think that we should have a sort of communiqué or guidelines to be able to reply clients' questions, being clear and consistent in our responses.

This is to avoid that FAs speculate, guess and invent their responses to clients. Should we have had some clear, true indication upon the inception of this financial crisis, we are sure that SIB wouldn't have experienced so many withdrawals.

A client told me that he left SIB because he had heard a FA mentioning that he was estimating that SIB Portfolio may have lost 15% (\$ 1,200MM) of its December 2007 value!

Please help!

Oreste

From: Pendergest, Laura
Sent: Tuesday, October 28, 2008 12:49 PM
To: Tonarelli, Oreste
Subject: FW: HELP
Importance: High

Hi Oreste,

As promised, below are the answers to your questions. I hope this helps; please do not hesitate to contact us if you need further information.

1. There has not been a loss on the portfolio. If you would refer to the SIBQ Report and allocation, you will notice the private equity is 23% of the portfolio and reflected as part of the 55% equity holdings. As you are aware, private equity has been a strong performer thus far this year. While equities have lost, elsewhere the portfolio is holding up well and has positive positioning.

2. A \$235million capital infusion was just made and further deposits will be added as

necessary as has been the mandate of the Board of Directors as has been demonstrated by the 25 year history of Stanford International Bank, Ltd.

3. Year to date, there has been net 0.
4. The liquidity stands at \$1.5billion.

Laura

From: Tonarelli, Oreste
Sent: Sunday, October 26, 2008 8:14 AM
To: Pendergest, Laura
Subject: RE: HELP

Thank you Laura.

I certainly look forward to your response before talking with the client.

What he expect from me a "cristal clear" sincere response.

Regards

Oreste

From: Pendergest, Laura
Sent: Sun 10/26/2008 6:49 AM
To: Tonarelli, Oreste
Subject: Re: HELP

Hi Oreste,

I will need to get with Mr. Davis on some of these questions, but I know the information will be readily available. Worst case scenario, I should be able to get back to you with all of the answers by tomorrow morning.

Best regards,

Laura

On Oct 25, 2008, at 11:14 AM, "Tonarelli, Oreste" <<mailto:OTonarelli@StanfordEagle.com> OTonarelli@StanfordEagle.com> wrote:

Laura:

I badly need your help.

My US\$ 20MM at SIB client (Miyasato) is getting every day more concerned.

I have been able to keep him calm up today. He now telling me that is planning to withdraw his money unless I have convencing arguments that his money is safe at SIB.

(His basic questions - among others - for which I do not have an answer are:

1. How much has been the loss of value of our entire portfolio at the date.
2. How much more contributions to capital is planning Mr. Stanford to offset losses.

3. How much has been as of today the total withdrawals from deposits.

4. How much is the remaining liquidity to honor withdrawals)

Your valuable assistance will be greatly appreciated.

Regards.

Oreste.